

**AUDITED  
BASIC FINANCIAL STATEMENTS**

**HOLLAND CENTRAL SCHOOL DISTRICT**  
**HOLLAND, NEW YORK**

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**JUNE 30, 2021**

**HOLLAND CENTRAL SCHOOL DISTRICT  
TABLE OF CONTENTS**

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	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-14
<b>Basic Financial Statements:</b>	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Governmental Funds	19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities	21
Statement of Fiduciary Net Position – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	23
Notes to Basic Financial Statements	24-46
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund	47-48
Schedule of Changes in the Total OPEB Liability and Related Ratios	49
Schedule of the District's Proportionate Share of the Net Pension (Asset) Liability – Employees' and Teachers' Retirement Systems	50
Schedule of the District's Pension Contributions – Employees' and Teachers' Retirement Systems	51
Notes to Required Supplementary Information	52

**HOLLAND CENTRAL SCHOOL DISTRICT  
TABLE OF CONTENTS (Continued)**

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**Page**

**Supplementary Information:**

Schedule of Change from Adopted Budget to Final Budget - General Fund and Real Property Tax Limit	53
Schedule of Project Expenditures - Capital Projects Fund	54
Schedule of Net Investment in Capital Assets	55

**INTERNAL CONTROL AND COMPLIANCE**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

The President and Members of the  
Board of Education of  
Holland Central School District  
Holland, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Holland Central School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As stated in Note 1, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions will not be modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Fred Maxick CPAs, P.C.*

Batavia, New York  
September 16, 2021

# **Management's Discussion and Analysis Holland Central School District Fiscal Year Ended June 30, 2021**

This section of Holland Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section. **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

## **Financial Highlights**

The assets and deferred outflows of resources of the District exceed its liabilities and deferred inflows of resources at June 30, 2021 by \$20,738, which constitutes the net position of the District. The net position of the District includes all of the governmental funds, as well as, the District's capital assets (net of accumulated depreciation) and long-term obligations. At June 30, 2021, unrestricted net position was \$1,917. Other components of net position were net investment in capital assets of \$16,155 and restricted net position of \$2,666.

In accordance with New York State Public Education Law, the District maintains a fund balance in the General Fund of the District. By law, the District cannot retain more than 4% of the ensuing year's General Fund budget in its unassigned fund balance at June 30, 2021, which the District exceeded by 0.15%. Additionally, New York State Law allows the District to establish and maintain various reserve funds. In an effort to establish financial position and reduce dramatic fluctuations in the District's tax rates in future years, the District has established and maintains the following restricted net position: Reserve for Employee Benefit Accrued Liability, Reserve for Unemployment Insurance, Reserve for Retirement Contributions, Reserve for Debt Service, Reserve for Insurance, and Reserve for Capital Projects.

Other issues of significance for the fiscal year ended June 30, 2021 included:

- ✧ The General Fund's (the primary operating fund) fund balance increased from \$3,717 to \$4,350.
- ✧ The District received approximately \$234 less in revenues than what was budgeted, primarily in the areas of Medicaid revenues, continuing education tuition, and contracted transportation services revenues.
- ✧ The District underspent their appropriations budget by \$1,228, primarily due to the district being forced to start the school year in a hybrid model due to the COVID-19 crisis and physical distancing requirements. Appropriations underspend were primarily in the areas of Special Education services, transportation, athletics, substitute costs, and salaries and benefits because students and staff were not in full attendance each day in the middle and high schools.

## **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

**Organization of Holland Central School District's Annual Financial Report**

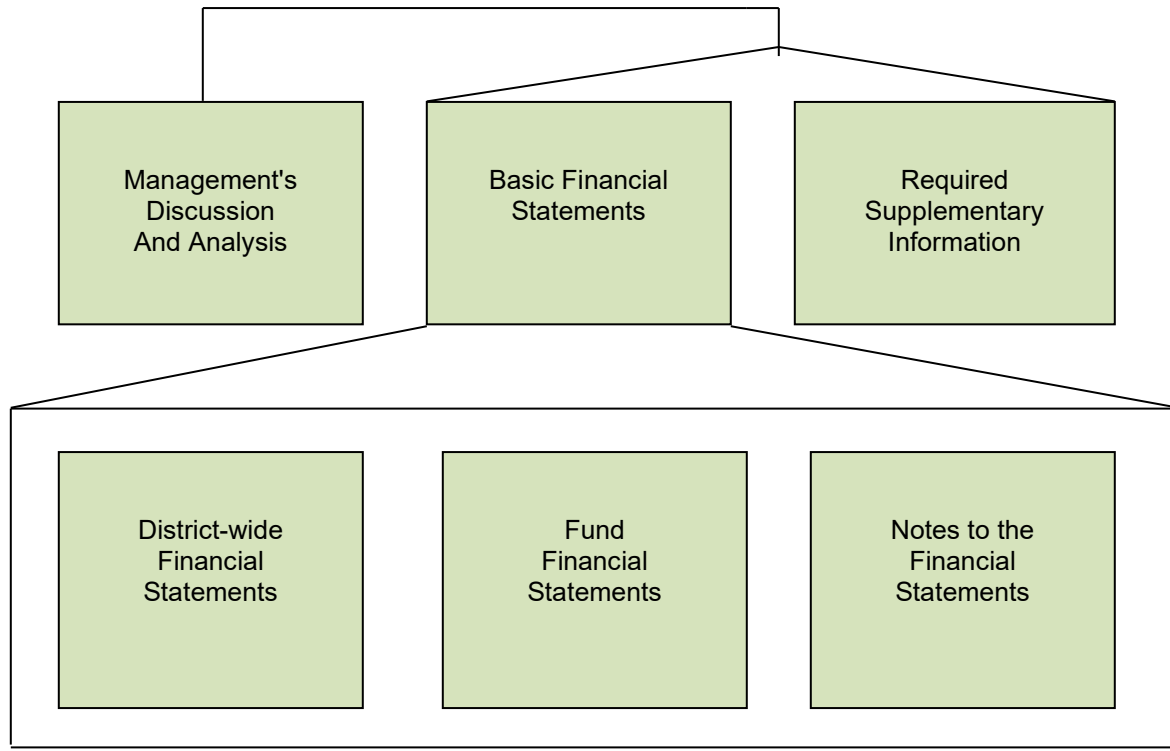


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the District-wide and Fund Financial Statements**

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position - Fiduciary Funds</li> <li>• Statement Changes in Net Position - Fiduciary Funds</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenditures are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources- is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because these assets are not available to finance its operations.

### **Financial Analysis of the District as a Whole**

The District's fund balance in the General Fund increased by \$498 due to the COVID-19 crisis. In general, the financial results of the District for the current year were positive. The District took a very conservative approach in preparing its budget and closely monitored and controlled their costs. The District will continue its efforts to closely monitor and control costs.

The District's appropriation budget continues to be very much fixed by provisions of employment contracts, transportation obligations and fixed debt service obligations, leaving only a small portion of the annual budget to discretion. Increases in retirement costs and other employee benefits are likely to increase disproportionately over the near future. In absence of increases in state aid and the District's ability to increase taxes beyond the statutory limit without voter authorization, the District will need to continue to closely monitor expenses while consistently using funds in a streamlined and efficient manner in order to maintain programs and services while also maintaining a balanced budget.

The reserves established and funded by the District will support the long-term financial goals of the District. A list of the reserves established by the District and the balance in these reserves as of June 30, 2021 is included in Figure A-3 below.

Figure A-3

**Condensed Statement of Net Position**  
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2021	2020	2020-2021
<b>Assets:</b>			
Current and other assets	\$ 5,745	\$ 11,019	-47.86%
Capital assets not being depreciated	407	2,953	-86.22%
Capital assets, net of accumulated depreciation	27,981	21,388	30.83%
TRS pension asset	-	999	-100.00%
Total assets	34,133	36,359	-6.12%
<b>Deferred Outflows of Resources:</b>			
Deferred pension outflows	5,205	4,364	19.27%
Deferred OPEB outflow	92	170	-45.88%
	5,297	4,534	16.83%
<b>Liabilities:</b>			
Long-term liabilities	14,617	10,356	41.15%
Other liabilities	1,281	8,137	-84.26%
Total liabilities	15,898	18,493	-14.03%
<b>Deferred Inflows of Resources:</b>			
Deferred pension inflows	2,592	1,511	71.54%
Deferred OPEB inflows	202	341	-40.76%
	2,794	1,852	50.86%
<b>Net Position:</b>			
Net investment in capital assets	16,155	16,836	-4.04%
Restricted for:			
Employee benefit accrued liability	419	409	2.44%
Insurance	11	11	0.00%
Retirement contribution	360	287	25.44%
Capital projects	1,476	774	90.70%
Unemployment insurance	205	205	0.00%
Debt service	194	247	-21.46%
Miscellaneous - scholarships	1	-	100.00%
Unrestricted	1,917	1,779	7.76%
Total net position	\$ 20,738	\$ 20,548	0.92%

**Figure A-4**

**Change in Net Position  
(in thousands of dollars)**

	Governmental Activities and Total District		Total Percentage Change
	2021	2020	2020-2021
<b>Revenues:</b>			
Real property taxes	\$ 7,787	\$ 7,536	3.33%
Real property tax items	22	15	46.67%
Non-property taxes	998	950	5.05%
Charges for services	62	83	-25.30%
Use of money and property	87	82	6.10%
Miscellaneous	235	331	-29.00%
State and federal aid	11,539	11,626	-0.75%
School lunch	297	330	-10.00%
Total revenues	<u>21,027</u>	<u>20,953</u>	<u>0.35%</u>
<b>Expenses:</b>			
General support	3,013	2,887	4.36%
Instruction	14,778	14,600	1.22%
Pupil transportation	1,387	1,467	-5.45%
Debt interest	315	242	30.17%
School lunch	381	426	-10.56%
Unallocated depreciation	1,116	939	18.85%
Total expenses	<u>20,990</u>	<u>20,561</u>	<u>2.09%</u>
Change in net position	\$ <u>37</u>	\$ <u>392</u>	<u>-90.56%</u>

## Governmental Activities

This section presents the cost of five major District activities: general support, instruction, pupil transportation, debt service and school lunch/store. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-5**

**Net Cost of Governmental Activities**  
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	2021	2020	Percentage Change 2020-2021	2021	2020	Percentage Change 2020-2021
General support	\$ 3,013	\$ 2,887	4.36%	\$ 2,952	\$ 2,804	5.28%
Instruction	14,778	14,600	1.22%	11,624	11,341	2.50%
Pupil transportation	1,387	1,467	-5.45%	231	325	-28.92%
Debt interest	315	242	30.17%	315	242	30.17%
School lunch and store	381	426	-10.56%	84	96	-12.50%
Unallocated depreciation	1,116	939	18.85%	1,116	939	18.85%
<b>Total</b>	<b>\$ 20,990</b>	<b>\$ 20,561</b>	<b>2.09%</b>	<b>\$ 16,322</b>	<b>\$ 15,747</b>	<b>3.65%</b>

District operations are supported predominantly by property taxes and State and Federal aid, of which a majority is not specifically allocated to individual programs. The State aid that the District receives cannot be completely allocated to individual categories. Comparisons from year to year will fluctuate with the formula's the State uses to distribute aid.

### Financial Analysis of The District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

#### Governmental Funds:

The focus of the District's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year and amounts to be applied against next years fund balance.

At the end of the current fiscal year, the District's governmental funds reported combined fund balance of \$4,506. Of this amount, \$2,666 has been restricted by the Board of Education in accordance with New York State educational law and their use is restricted for an intended purpose. Nonspendable fund balance of \$36 represents nonspendable resources as they are invested in inventory. Assigned fund balance in the funds of \$799 represents amounts that are either assigned by management or are assigned to meet the future needs of specific programs.

### General Fund

Expenditures of the General Fund of \$19,677 and revenues of \$20,175 resulted in an increase in fund balance by \$498. Fund balance is reported in four different categories:

- ✧ Nonspendable fund balance includes amounts that are invested in inventory of the bookstore and school lunch.
- ✧ Restricted fund balance includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District's General Fund restricted fund balance at June 30, 2021 was \$2,666.
- ✧ Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes. Amounts appropriated towards the subsequent year's budget and encumbrances of the General fund are classified as assigned fund balance. The District's General Fund assigned fund balance at June 30, 2021 was \$629.
- ✧ Unassigned fund balance includes all other General Fund net assets that do not meet the definition of non-spendable restricted or assigned and are deemed to be available for general use by the District. The District's General Fund unassigned fund balance at June 30, 2021 was \$1,052.

### Special Aid Fund

The Special Aid Fund exists to account for programs funded by either the Federal or State government. With the exception of the summer school program, these programs are funded 100% by the State Education Department either directly or with funds passed through from the Federal government.

### Capital Projects Fund

At June 30, 2021, the District's fund balance in the Capital Projects Fund increased by \$919 to an ending fund balance of \$170. During the current year, the District permanently financed bond anticipation notes (BANs) in serial bonds in the amount of \$5,535 which alleviated the prior years' deficit fund balance.

### School Lunch Fund

At June 30, 2021, the District's fund balance in the School Lunch Fund increased by \$14 to (\$15). However, the fund balance attributed to the District's investment in inventory was \$33. Due to COVID-19 Pandemic, the District provided free breakfast and lunch to all students. The District was unable to sell any meals and limited a la carte throughout the entire school year as middle and high school students were on a hybrid schedule.

**Figure A-6**

**Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
(in thousands of dollars)**

	2021		
	Revenues	Expenditures	Fund Balances
General Fund	\$ 20,175	\$ 19,677	\$ 4,350
Capital Projects Fund	6,116	5,197	170
2020			
	Revenues	Expenditures	Fund Balances
General Fund	\$ 20,063	\$ 19,768	\$ 3,852
Capital Projects Fund	949	2,799	(749)

**General Fund Budgetary Highlights**

The District's administration prepares a proposed budget for approval by the Board of Education for the General Fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur, subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted.

The District received approximately \$234 less in revenues than what was budgeted, primarily in the areas of Medicaid revenues, continuing education tuition, and contracted transportation services revenues.

Cautious budget administration was practiced by controlling and reducing costs whenever possible. The COVID-19 crisis resulted in the District underspending approved appropriations by \$1,228, primarily due to the district being forced to start the school year in a hybrid model due to the COVID-19 crisis and physical distancing requirements. Appropriations underspend were primarily in the areas of Special Education services, transportation, athletics, substitute costs, and salaries and benefits because students and staff were not in full attendance each day in the middle and high schools.

The District's General Fund experienced an excess of revenues over expenditures in the current year in the amount of \$498 thereby increasing the total General Fund fund balance to \$4,350.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2021 the District had capital assets of \$28,388, net of accumulated depreciation, invested in a broad range of capital assets including land, buildings and improvements, site improvements, vehicles, and furniture and equipment. Capital asset additions consisted primarily of building improvements and bus purchases. The purchases were paid out of current appropriations and the proceeds from a bond anticipation note. The change in capital assets, net of accumulated depreciation, is reflected below.

*Figure A-7*

**Capital Assets Net of Depreciation**  
*(in thousands of dollars)*

	Governmental Activities and Total District		Percentage Change
	2021	2020	2020-2021
Land	\$ 231	\$ 231	0.00%
Construction in Process	176	2,722	-93.53%
Buildings and improvements	26,047	19,438	34.00%
Site improvements	648	695	-6.76%
Vehicles	916	921	-0.54%
Equipment	370	334	10.78%
Total	<u>\$ 28,388</u>	<u>\$ 24,341</u>	<u>16.63%</u>

**Long-Term Debt**

The District's general obligation bonds consist of serial and statutory bonds maturing through 2036. The bonds outstanding were issued in connection with the District's vehicles and capital improvement projects. Total serial and statutory bonds outstanding at June 30, 2021 amounted to \$12,555, including \$201 of unamortized premiums. The District made debt payments of \$1,104 in the current year. The District issued \$5,930 in new bonds and related premiums in the current year to fund the purchase of school buses and capital projects.

The District's total OPEB liability as of June 30, 2021 was estimated at \$602. This represents the liability based on GASB Statement No. 75 in the current year and the District's contributions on a pay-as-you-go basis.

More detailed information on the District's capital assets and long-term debt activity is provided in the Notes to the Basic Financial Statements under 3.C. and 3.H., respectively.

The District also has a long-term obligation for accumulated compensated absences. This included accumulated sick and vacation days earned by current employees of the District. The District's current and long-term obligation for accumulated compensated absences at June 30, 2021 was \$533. This includes a current obligation which is estimated at \$150.

**Figure A-8**

**Outstanding Long-Term Liabilities**  
*(in thousands of dollars)*

	Governmental Activities and Total District		Percentage Change
	2021	2020	2020-2021
General obligation bonds, net of unamortized premium (financed with property taxes)	\$ 12,555	\$ 7,733	62.36%
Compensated absences	383	459	-16.56%
Net pension liability - ERS/TRS	1,077	1,595	-32.48%
Total OPEB liability	602	569	5.80%
Total	<u>\$ 14,617</u>	<u>\$ 10,356</u>	<u>41.15%</u>

**Factors Bearing on the District's Future**

Under the tax cap legislation, the District is prohibited from increasing the tax levy more than 2% over the prior year's tax levy, subject to certain exclusions without voter authorization in excess of 60%.

With respect to budget appropriations, personnel costs, retirement system contribution rates and health insurance costs continue to increase well in excess of the tax cap. With costs increasing, state and federal aid remaining relatively flat and only limited increases in tax rates the District will be forced to evaluate programs and services to determine if they can be sustained long-term. The District intends to utilize reserve funds to the extent possible to fund budget gaps to sustain programs and services as long as possible.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Holland Central School District, Holland, New York.

**HOLLAND CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,042,680
Cash and cash equivalents - restricted	2,856,908
Receivables	19,272
Intergovernmental receivables	1,789,635
Inventory	36,013
Capital assets not being depreciated	407,431
Capital assets, net of accumulated depreciation	<u>27,980,662</u>
Total assets	<u>34,132,601</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension outflows	5,205,563
Deferred OPEB outflows	<u>91,700</u>
Total deferred outflows of resources	<u>5,297,263</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	447,740
Accrued interest payable	21,012
Retainage payable	21,357
Due to other governments	71
Due to retirement systems	778,970
Unearned revenue	11,534
Non-current liabilities:	
Due and payable within one year	1,538,069
Due and payable after one year	<u>13,078,824</u>
Total liabilities	<u>15,897,577</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension inflows	2,591,595
Deferred OPEB inflows	<u>201,966</u>
Total deferred inflows of resources	<u>2,793,561</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,155,091
Restricted for:	
Employee benefit accrued liability	419,326
Insurance	10,726
Retirement contribution	360,216
Capital projects	1,475,580
Unemployment insurance	205,388
Debt service	194,132
Miscellaneous - scholarships	1,232
Unrestricted	<u>1,917,035</u>
Total net position	<u>\$ 20,738,726</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
			Charges for Services	Operating Grants and Contributions		
Governmental activities						
General support	\$ 2,506,875	\$ 506,878	\$ 61,772	\$ -	\$ -	\$ (2,951,981)
Instruction	11,261,661	3,516,026	-	3,071,788	81,728	(11,624,171)
Pupil transportation	1,020,812	366,081	-	1,155,403	-	(231,490)
Interest	315,213	-	-	-	-	(315,213)
School lunch	335,572	45,341	6,035	290,937	-	(83,941)
Unallocated employee benefits	4,434,326	(4,434,326)	-	-	-	-
Unallocated depreciation	1,115,857	-	-	-	-	(1,115,857)
Total governmental activities	\$ <u>20,990,316</u>	\$ <u>-</u>	\$ <u>67,807</u>	\$ <u>4,518,128</u>	\$ <u>81,728</u>	(16,322,653)
General revenues:						
Real property taxes						7,787,170
Real property tax items						21,568
Non-property taxes						998,437
Use of money and property						87,181
State and federal aid not restricted for a specific purpose						7,230,267
Other miscellaneous revenues						235,358
Total general revenues						<u>16,359,981</u>
Change in net position						37,328
Net position - beginning, as restated (see Note 6)						<u>20,701,398</u>
Net position - ending						\$ <u><u>20,738,726</u></u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Aid</u>	<u>Nonmajor School Lunch</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 886,501	\$ 18,128	\$ 103,365	\$ 34,686	\$ 1,042,680
Cash and cash equivalents - restricted	2,666,600	190,308	-	-	2,856,908
Receivables	19,272	-	-	-	19,272
Due from other funds	1,194,450	114,699	35,014	-	1,344,163
Intergovernmental receivables	950,904	40,429	711,228	87,074	1,789,635
Inventory	2,906	-	-	33,107	36,013
Total assets	<u>\$ 5,720,633</u>	<u>\$ 363,564</u>	<u>\$ 849,607</u>	<u>\$ 154,867</u>	<u>\$ 7,088,671</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 440,957	\$ -	\$ 6,783	\$ -	\$ 447,740
Due to other funds	149,774	193,153	835,624	165,612	1,344,163
Due to other governments	-	-	-	71	71
Due to retirement systems	774,923	-	-	4,047	778,970
Unearned revenue	4,334	-	7,200	-	11,534
Total liabilities	<u>1,369,988</u>	<u>193,153</u>	<u>849,607</u>	<u>169,730</u>	<u>2,582,478</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable	168,518	-	-	33,107	201,625
Restricted	2,666,600	-	-	-	2,666,600
Assigned	628,703	170,411	-	-	799,114
Unassigned (deficit)	886,824	-	-	(47,970)	838,854
Total fund balances (deficit)	<u>4,350,645</u>	<u>170,411</u>	<u>-</u>	<u>(14,863)</u>	<u>4,506,193</u>
Total liabilities and fund balances (deficit)	<u>\$ 5,720,633</u>	<u>\$ 363,564</u>	<u>\$ 849,607</u>	<u>\$ 154,867</u>	<u>\$ 7,088,671</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

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Amounts reported for governmental activities in the Statement of Net Position (page 15) are different because:

Total fund balances - governmental funds (page 17)	\$	4,506,193	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation			28,388,093
Long-term assets and liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Serial bonds payable	\$	(12,353,408)	
Unamortized premium payable		(201,378)	
Compensated absences liability		(383,048)	
Retainage payable		(21,357)	
Total OPEB liability		(601,981)	
TRS pension liability		(1,070,439)	
ERS pension liability		<u>(6,639)</u>	
			(14,638,250)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:			
Net OPEB deferred outflows and inflows of resources	\$	(110,266)	
Net pension deferred outflows and inflows of resources		<u>2,613,968</u>	
			2,503,702
Interest is accrued and reported in the district-wide Statement of Net Position but not on the fund basis Balance Sheet because it is not due and payable in the current period.			<u>(21,012)</u>
Net position of governmental activities	\$		<u><u>20,738,726</u></u>

**HOLLAND CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Aid</u>	<u>Nonmajor School Lunch</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$ 7,787,170	\$ -	\$ -	\$ -	\$ 7,787,170
Real property tax items	21,568	-	-	-	21,568
Non-property taxes	998,437	-	-	-	998,437
Charges for services	61,772	-	-	6,035	67,807
Use of money and property	82,515	4,640	-	26	87,181
Sale of property and compensation for loss	3,329	-	-	-	3,329
Miscellaneous local sources	228,603	190,708	-	3,026	422,337
State sources	10,566,947	40,429	219,933	9,380	10,836,689
Federal sources	275,295	-	395,283	281,557	952,135
Total revenues	<u>20,025,636</u>	<u>235,777</u>	<u>615,216</u>	<u>300,024</u>	<u>21,176,653</u>
<b>EXPENDITURES</b>					
Current:					
General support	2,540,318	-	-	-	2,540,318
Instruction	10,768,753	-	563,132	290,231	11,622,116
Pupil transportation	966,221	-	63,691	-	1,029,912
Employee benefits	3,795,283	-	22,272	45,341	3,862,896
Debt service:					
Principal	1,103,532	-	-	-	1,103,532
Interest	318,721	-	-	-	318,721
Capital outlay:					
General support	-	3,288,179	-	-	3,288,179
Instruction	-	1,513,697	-	-	1,513,697
Pupil transportation	-	246,182	-	-	246,182
Total expenditures	<u>19,492,828</u>	<u>5,048,058</u>	<u>649,095</u>	<u>335,572</u>	<u>25,525,553</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021 (Continued)**

	<u>General</u>	<u>Capital Projects</u>	<u>Special Aid</u>	<u>Nonmajor School Lunch</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	532,808	(4,812,281)	(33,879)	(35,548)	(4,348,900)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	149,009	100,000	33,879	50,000	332,888
Interfund transfers out	(183,879)	(149,009)	-	-	(332,888)
Serial bond proceeds	-	5,535,000	-	-	5,535,000
Statutory installment bond proceeds	-	246,182	-	-	246,182
Total other financing sources (uses)	<u>(34,870)</u>	<u>5,732,173</u>	<u>33,879</u>	<u>50,000</u>	<u>5,781,182</u>
Net change in fund balances	497,938	919,892	-	14,452	1,432,282
Fund balances (deficit) - beginning, as restated (See Note 6)	<u>3,852,707</u>	<u>(749,481)</u>	<u>-</u>	<u>(29,315)</u>	<u>3,073,911</u>
Fund balances (deficit) - ending	<u>\$ 4,350,645</u>	<u>\$ 170,411</u>	<u>\$ -</u>	<u>\$ (14,863)</u>	<u>\$ 4,506,193</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

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Amounts reported for governmental activities in the Statement of Activities (page 16) are different because:

Net change in fund balances - total governmental funds (page 20) \$ 1,432,282

Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$12,530,605), excluding construction in process placed in service (\$7,368,949), exceeded depreciation expense (\$1,115,857) in the current year. 4,046,799

The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from bonds	\$	(5,781,182)	
Proceeds from bond premiums		(149,009)	
Repayment of bonds		1,103,532	
Amortization of bond premiums		4,663	(4,821,996)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in total OPEB liability	\$	(33,420)	
Change in net pension liability - ERS		1,588,417	
Change in net pension (asset) liability - TRS		(2,069,911)	
Net change in deferred outflows and inflows of resources - OPEB		61,388	
Net change in deferred outflows and inflows of resources - ERS		(1,534,771)	
Net change in deferred outflows and inflows of resources - TRS		1,295,165	
Change in accrued interest payable		(1,155)	
Change in compensated absences		76,361	
Change in retainage payable		(1,831)	(619,757)

Change in net position of governmental activities \$ 37,328

HOLLAND CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITON – FIDUCIARY FUNDS  
JUNE 30, 2021

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents - restricted	\$ <u>47,823</u>
<b>NET POSITION</b>	
Restricted for extraclassroom activities	\$ <u>47,823</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITON – FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Extraclassroom activities	\$ 48,185
<b>DEDUCTIONS</b>	
Extraclassroom activities	<u>52,921</u>
Net decrease in fiduciary net position	(4,736)
Net position - beginning, as restated (Note 6)	<u>52,559</u>
Net position - ending	<u>\$ 47,823</u>

See notes to basic financial statements.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Holland Central School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. REPORTING ENTITY**

The District is governed by the Education Law and other laws of the State of New York. The District is an independent entity governed by an elected Board of Education. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and are primarily accountable for all fiscal matters.

The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility.

The reporting entity of the District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

**1. INCLUDED IN THE REPORTING ENTITY**

The Extraclassroom Activity Funds of the District represent funds of the students within the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the District's business office. The District accounts for assets held as an agent for various student organizations in the Custodial Funds of the District.

**2. JOINT VENTURE**

The District is a component school district in the Board of Cooperative Educational Services of Erie, Chautauqua and Cattaraugus Counties (BOCES). The BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

BOCES is organized under Section 1950 of NYS Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of New York State General Municipal Law.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2021, the District was billed \$3,159,157 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 8685 Erie Road, Angola, New York 14006.

**B. BASIS OF PRESENTATION**

**1. DISTRICT-WIDE STATEMENTS:**

While separate district-wide and fund financial statements are presented, they are interrelated. The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through property taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

The Statement of Net Position presents the financial position of the District at the fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. FUND FINANCIAL STATEMENTS:**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Special Aid Fund: This fund is used to account for proceeds received from State and Federal grants that are restricted for educational programs.

Other Funds Types:

Fiduciary funds are used to account for certain trust funds and other custodial funds. Custodial funds report fiduciary activities not held in trust. These activities are not included in the district-wide financial statements because their resources do not belong to the District and are not available for use.

Custodial Funds – used for amounts held on behalf of others that are custodial in nature, neither of which are held in trust.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included in the governmental activities column.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The district-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and sales taxes associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues in the current year. Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by the Counties in which the District is located. Uncollected real property taxes transmitted to the Counties for enforcement are paid by the Counties to the District no later than the forthcoming April 1.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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2. RESTRICTED ASSETS

Certain assets are classified as restricted because their use is limited. Funds supporting extraclassroom activities in the Custodial Funds are restricted specifically for those purposes. Certain proceeds from BANs or bonds, as well as resources set aside for their repayment, are classified as restricted assets and their use is limited by applicable bond covenants. Amounts to support fund balance restrictions are also reported as restricted.

3. RECEIVABLES

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

4. INVENTORY

Inventories of food and/or supplies in the School Lunch Fund and the book store, included in the General Fund, are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

5. INTERFUND TRANSACTIONS

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts as a net balance based upon the right of legal offset.

Refer to Note 3.1. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

6. CAPITAL ASSETS

Capital assets, which include property and equipment are reported in the district-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 2,500	straight-line	15-40 years
Site improvements	2,500	straight-line	10-30 years
Vehicles	2,500	straight-line	5-8 years
Furniture and equipment	2,500	straight-line	5-20 years

**7. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. The deferred amounts are related to pension and OPEB differences between estimated and actual investment earnings, changes in assumptions and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The District reports deferred amounts related to pension and OPEB.

See details of deferred pension outflows and inflows in Note 3.E. and deferred OPEB outflows and inflows in Note 3.F.

**8. UNEARNED REVENUE**

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant funds are received prior to the occurrence of qualifying expenditures. In subsequent periods when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

**9. VESTED EMPLOYEE BENEFITS**

Compensated Absences

The District's labor agreements and rules and regulations permits employees to accumulate earned but unused sick and vacation leave. Upon retirement certain eligible employees qualify for paid medical and dental insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually. The liability for such leave is reported as incurred in the district-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**10. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES**

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources.

Claims and judgments, as well as, compensated absences that will be paid from governmental funds, are reported as a liability in the governmental funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the governmental fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. These liabilities are reported as due within one year or due after one year in the Statement of Net Position.

Premiums received upon the issuance of debt are included as other financing sources in the governmental fund statements when issued. In the district-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

**11. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS**

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. The District does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. Payments are budgeted annually without accrual and are based on the pay-as-you go method (see Note 3.F).

**12. SHORT TERM DEBT**

The District may issue bond anticipation notes (BANs) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a current liability in the Capital Projects Fund when the proceeds are received. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

**13. NET POSITION FLOW ASSUMPTION**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the district-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which restricted and unrestricted net position will be applied.

**14. FUND BALANCE FLOW ASSUMPTIONS**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determines the order of application of expenditures to which fund balance classifications will be charged.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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15. FUND BALANCE POLICIES

Fund balance of the District's funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Superintendent to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

E. PROGRAM REVENUES

Amounts reported as *program revenues* include 1) charges to tax payers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

F. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2021, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The primary objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The District reclassified certain activities, no longer considered fiduciary in nature, to the governmental funds to comply with this Statement in the current year.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the District, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending June 30, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2023.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending June 30, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending June 30, 2022

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending June 30, 2022.

**NOTE 2 –STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**A. LEGAL COMPLIANCE BUDGETS**

**BUDGET POLICIES**

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2021.

**B. DEFICIT FUND BALANCE**

At June 30, 2021, the School Lunch Fund, a nonmajor fund, has a deficit fund balance of \$14,863. The School Lunch Fund deficit is the result of the excess of expenditures over revenues. This deficit will be eliminated as resources are obtained from revenues and permanent transfers from the General Fund.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS**

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

## HOLLAND CENTRAL SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

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Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The District's aggregate bank balances were fully collateralized at June 30, 2021.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. At June 30, 2021, restricted cash includes \$2,666,600 in the General Fund for certain reserve funds, \$190,308 in the Capital Projects Fund for unspent debt proceeds and donation proceeds and \$47,823 within the Custodial Funds restricted for extraclassroom activities

### Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Official of the District.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest and non – interest bearing demand deposit accounts.
- Certificates of deposit placed in a commercial bank authorized in New York State.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**B. RECEIVABLES**

Significant revenues accrued by the District at June 30, 2021, include the following:

General Fund		
State aid - BOCES	\$	658,057
State aid - excess cost aid		177,959
CARES Act funding		111,273
State aid - other		3,615
Total General Fund		<u>950,904</u>
Capital Projects Fund - state and federal aid		40,429
Special Aid Fund - state and federal aid		711,228
School Lunch Fund - state and federal aid		87,074
Total	\$	<u><u>1,789,635</u></u>

**C. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2021, were as follows:

	<u>Balance 7/1/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2021</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 231,397	\$ -	\$ -	\$ 231,397
Construction in process	<u>2,721,750</u>	<u>4,823,233</u>	<u>7,368,949</u>	<u>176,034</u>
Total capital assets not being depreciated	<u>2,953,147</u>	<u>4,823,233</u>	<u>7,368,949</u>	<u>407,431</u>
Capital assets being depreciated:				
Buildings and improvements	34,391,453	7,368,949	-	41,760,402
Land improvements	2,200,857	-	-	2,200,857
Vehicles	2,774,839	246,182	170,568	2,850,453
Furniture and equipment	<u>3,619,855</u>	<u>93,241</u>	<u>-</u>	<u>3,713,096</u>
Total capital assets, being depreciated	<u>42,987,004</u>	<u>7,708,372</u>	<u>170,568</u>	<u>50,524,808</u>
Less accumulated depreciation:				
Buildings and improvements	14,952,961	760,991	-	15,713,952
Land improvements	1,506,306	46,299	-	1,552,605
Vehicles	1,853,845	251,702	170,568	1,934,979
Furniture and equipment	<u>3,285,745</u>	<u>56,865</u>	<u>-</u>	<u>3,342,610</u>
Total accumulated depreciation	<u>21,598,857</u>	<u>1,115,857</u>	<u>170,568</u>	<u>22,544,146</u>
Total capital assets being depreciated, net	<u>21,388,147</u>	<u>6,592,515</u>	<u>-</u>	<u>27,980,662</u>
Governmental activities capital assets, net	<u>\$ 24,341,294</u>	<u>\$ 11,415,748</u>	<u>\$ 7,368,949</u>	<u>\$ 28,388,093</u>

Depreciation has not been allocated to the individual functions of the District operation as no allocation methodology has been established.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**D. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities reported by the District at June 30, 2021, were as follows:

	<u>General</u>	<u>Special Aid</u>	<u>Total</u>
Accounts payable	\$ 211,447	\$ 6,783	\$ 218,230
Accrued vacation	150,000	-	150,000
Accrued payroll	72,085	-	72,085
Other accrued liabilities	7,425	-	7,425
Total	<u>\$ 440,957</u>	<u>\$ 6,783</u>	<u>\$ 447,740</u>

**E. PENSION OBLIGATIONS**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Provisions and Administration

The TRS System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

The ERS System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS/ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31<sup>st</sup>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported the following amount for its proportionate share of the net pension liability for each of the Systems. The net pension liabilities were measured as of June 30, 2020 for TRS, and March 31, 2021 for ERS. The total pension amount used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 for TRS and April 1, 2020 for ERS. The District's proportionate share of the net pension liabilities were based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2020	March 31, 2021
Net pension liability	\$ 1,070,439	\$ 6,639
District's portion of the Plan's total net pension liability	0.038738 %	0.006668 %
Change in proportion since the prior measurement date	0.000267	0.000644
Pension expense at June 30, 2021	\$ 1,415,308	\$ 222,848

At June 30, 2021, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 937,919	\$ 81,085	\$ 54,858	\$ -
Change of assumptions	1,353,857	1,220,770	482,579	23,024
Net difference between projected and actual earnings on pension plan investments	699,091	-	-	1,907,225
Changes in proportion and differences between the District's contributions and proportionate share of contributions	19,208	169,458	121,091	2,818
District's contributions subsequent to the measurement date	<u>646,300</u>	<u>77,875</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,656,375</u>	<u>\$ 1,549,188</u>	<u>\$ 658,528</u>	<u>\$ 1,933,067</u>

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	TRS	ERS
<u>Year ended June 30:</u>		
2022	\$ 391,115	\$ (48,359)
2023	815,892	5,866
2024	668,606	(65,864)
2025	410,265	(353,397)
2026	18,141	-
Thereafter	47,528	-

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
Actuarial valuation date	June 30, 2019	April 1, 2019
Interest rate	7.10%	5.90%
Salary scale	1.90% - 4.72%	4.40%
Inflation rate	2.20%	2.70%
Cost of living adjustments	1.30%	1.40%

For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
Measurement Date			June 30, 2020	March 31, 2021
<u>Asset Class:</u>				
Domestic equity	33.0 %	32.0 %	7.1 %	4.1 %
International equity	16.0	15.0	7.7	6.3
Private equity	8.0	10.0	10.4	6.8
Real estate	11.0	9.0	6.8	5.0
Global equities	4.0	-	7.4	-
Credit	-	4.0	-	3.6
Opportunistic portfolio	-	3.0	-	4.5
Real estate debt	7.0	-	3.6	-
Real assets	-	3.0	-	6.0
Bond and mortgages	-	23.0	-	-
Cash/short term	1.0	1.0	0.7	0.5
Domestic fixed income securities	16.0	-	1.8	-
Global fixed income securities	2.0	-	1.0	-
Private debt	1.0	-	5.2	-
High yield income securities	1.0	-	3.9	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate

The discount rate used to calculate the total pension liability was 7.10% for TRS and 5.90% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the District's proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.10% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.10% for TRS and 4.90% for ERS) or 1-percentage point higher (8.10% for TRS and 6.90% for ERS) than the current rate:

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 6,761,597	\$ 1,070,439	\$ (3,705,884)
	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 1,842,839	\$ 6,639	\$ (1,686,766)

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	<u>June 30, 2020</u>	<u>March 31, 2021</u>
Employers' total pension liability	\$ 123,247,776	\$ 220,680,157
Plan net position	120,479,505	220,580,583
Employers' net pension liability	<u>\$ 2,768,271</u>	<u>\$ 99,574</u>
Ratio of plan net position to the employers' total pension liability	97.75%	99.95%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021, are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2021, represent employee and employer contributions for the fiscal year ended June 30, 2021, based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021, amounted to \$701,095.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2021, represent the projected employer contribution for the period of April 1, 2021, through June 30, 2021, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021, amounted to \$77,875.

**F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan Description

The District administers the Holland Central School District Retiree Medical, Prescription Vision and Dental Plan (the Plan) as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

Employees Covered by Benefit Terms

As of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefits	-
Active employees not eligible to retire	157
Active employees, eligible to retire	40
Total	<u><u>202</u></u>

The District's total OPEB liability of \$601,981 was measured as of March 31, 2020 using updated procedures to roll forward the actuarial valuation as of June 30, 2021.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.11%
Salary Increases	3.11%, average, including inflation
Discount Rate	2.27%
Healthcare Cost Trend Rates	4.00% as of 2021, with an ultimate rate of 4.08% for 2075 and later years
Retirees' Share of Benefit-Related Costs	25% of future retirees required to pay 100% of premiums.

The discount rate was based on the Fidelity Municipal General Obligation AA 20-year Bond rate as of the measurement date.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General and Safety, without separate Contingent Survivor mortality, fully generational using Scale MP-2020.

Retirement and termination assumptions reflect general published tables based on large-scale retirement plan population data. The plan's estimated termination and retirement experience is then analyzed, and the base table is adjusted accordingly as necessary. No formal experience study is prepared for this plan.

Changes in the Total OPEB Liability

Balance at July 1, 2020	\$	568,561
<u>Changes for the year:</u>		
Service cost		32,712
Interest		14,399
Changes of benefit terms		-
Differences between expected and actual experience		(3,659)
Changes in assumptions or other inputs		10,636
Benefit payments		(20,668)
Net Changes		<u>33,420</u>
Balance at June 30, 2021	\$	<u><u>601,981</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.48 percent in 2020 to 2.27 percent in 2021, changes in the salary scale from 3.22 percent in 2020 to 3.11 percent in 2021, and changes in the ultimate healthcare cost trend from 4.18 percent in 2020 to 4.08 percent in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate.

	<u>1% Decrease (1.27%)</u>	<u>Discount Rate (2.27%)</u>	<u>1% Increase (3.27%)</u>
Total OPEB Liability	\$ <u>642,534</u>	\$ <u>601,981</u>	\$ <u>563,974</u>

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease (3.00% increasing to 3.08%)	Healthcare Cost Trend Rates (4.00% increasing to 4.08%)	1% Increase (5.00% increasing to 5.08%)
Total OPEB Liability	\$ 542,697	\$ 601,981	\$ 671,053

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized net OPEB expense of (\$8,879). At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,690	\$ 2,696
Changes of assumptions	8,843	199,270
Contributions subsequent to the measurement date	5,167	-
Total	\$ 91,700	\$ 201,966

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2022	\$ (45,600)
2023	(71,302)
2024	1,469
2025	-
2026	-
Thereafter	-

**G. SHORT-TERM LIABILITIES**

The purpose of the short-time borrowing was to provide resources for capital improvement projects. The form of financing used in all cases was bond anticipation notes (BANs). The amounts issued are accounted for in the Capital Projects Fund.

The schedule below details the changes in short-term borrowings during the year ended June 30, 2021:

	Balance 7/1/2020	Issued	Redeemed	Balance 6/30/2021
BAN maturing 6/24/2021 at 1.75%	\$ 5,535,000	\$ -	\$ 5,535,000	\$ -

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**H. LONG-TERM LIABILITIES**

**1. General Obligation Bonds**

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

**2. Serial Bonds**

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provisions will be in the General Fund's future budgets for capital indebtedness.

The following is a summary of maturities of indebtedness:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Outstanding Balance 6/30/2021</u>
<u>Governmental activities:</u>					
Serial bonds:					
Capital Improvements	2006	\$ 2,060,000	06/2022	4.25%	\$ 180,000
School Building Bond	2013	3,280,000	06/2027	2.00%	1,540,000
Capital Improvements	2018	5,100,000	12/2033	3.00%	4,355,000
Capital Improvements	2021	5,535,000	6/1/2036	1.00%	5,535,000
Statutory installment bonds:					
Bus Bond #33	2017	330,000	06/2021	2.24%	66,000
Bus Bond #34	2018	292,000	10/2022	2.49%	116,800
Bus Bond #35	2019	224,590	01/2024	3.15%	134,754
Bus Bond #36	2020	224,590	11/2024	1.98%	179,672
Bus Bond #37	2021	246,182	11/1/2025	1.49%	246,182
					<u>\$ 12,353,408</u>

**3. Other Long-Term Liabilities**

In addition to the above long-term debt, the District had a non-current liability for compensated absences, pensions (See Note 3.E.) and other postemployment benefits. (See Note 3.F.)

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**4. Changes in Long-Term Liabilities**

Changes in the District's long-term liabilities for the year ended June 30, 2021, are as follows:

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Bonds payable:					
Serial and statutory bonds	\$ 7,675,758	\$ 5,781,182	\$ 1,103,532	\$ 12,353,408	\$ 1,523,472
Unamortized premium	57,032	149,009	4,663	201,378	14,597
Total bonds payable	<u>7,732,790</u>	<u>5,930,191</u>	<u>1,108,195</u>	<u>12,554,786</u>	<u>1,538,069</u>
Other liabilities:					
Compensated absences	609,409	292,610	368,971	533,048	150,000 *
Net pension liability (ERS) - proportionate share **	1,595,056	-	1,588,417	6,639	-
Net pension liability (TRS) - proportionate share **	(999,472)	2,069,911	-	1,070,439	-
Total OPEB liability	<u>568,561</u>	<u>57,747</u>	<u>24,327</u>	<u>601,981</u>	<u>-</u>
Total long-term liabilities	<u>\$ 9,506,344</u>	<u>\$ 8,350,459</u>	<u>\$ 3,089,910</u>	<u>\$ 14,766,893</u>	<u>\$ 1,688,069</u>

\*Current portion is included in accrued liabilities.

\*\*Additions/reductions to net pension liability are shown net.

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and other postemployment benefits. Payment of retirement contributions are typically from the funds in which the individuals are employed. Those operating funds include the General, Special Aid and School Lunch Funds.

The following is a summary of maturing debt service requirements for the District's general obligation bonds:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2022	\$ 1,523,472	\$ 297,971	\$ 14,597
2023	1,182,472	252,131	14,597
2024	1,154,072	227,322	14,597
2025	1,134,154	203,404	14,597
2026	954,238	178,963	14,597
2027-2031	3,700,000	568,738	68,269
2032-2036	2,705,000	138,925	60,124
Total	<u>\$ 12,353,408</u>	<u>\$ 1,867,454</u>	<u>\$ 201,378</u>

**I. INTERFUND ACTIVITY**

Interfund activity at June 30, 2021 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,194,450	\$ 149,774	\$ 149,009	\$ 183,879
Capital Projects Fund	114,699	193,153	100,000	149,009
Special Aid Fund	35,014	835,624	33,879	-
School Lunch Fund	-	165,612	50,000	-
Total	<u>\$ 1,344,163</u>	<u>\$ 1,344,163</u>	<u>\$ 332,888</u>	<u>\$ 332,888</u>

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Interfund receivables and payables were incurred primarily due to amounts paid by the General Fund, on behalf of the Special Aid Fund and the School Lunch Fund, until such time as state and federal reimbursements are received or permanent transfers are recorded. Other activity relates to timing of cash transfers in relation to yearend.

Interfund activity was recorded upon completion of certain capital projects and to fund capital improvements. Also, the interfund revenues and expenditures related to the transfers from the General Fund to the Capital Projects Fund, the Special Aid Fund and the School Lunch Fund are to fund certain programs.

**J. NET POSITION AND FUND BALANCE**

**1. Net Position**

For district-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and debt used to fund capital asset purchases.

Restricted net position – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2021.

Unrestricted net position - represents net position of the District not restricted for any project or other purpose.

**2. Fund Balance**

In the governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The District’s governmental funds reports the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by District at June 30, 2021, include:

- *Inventory* - represents nonspendable inventory in the School Lunch Fund and school store, which is reported in the General Fund.
- *Long-term receivable* – represents amounts owed from the School Lunch Fund to the General Fund for advances for operations.

Restricted – represents amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or listed only with the consent of the resource providers.

- *Restricted for capital projects* – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- *Restricted for unemployment claims* - represents funds to be used to pay unemployment claims
- *Restricted for insurance* - represents funds to be used to pay for uninsured losses, claims or judgments.
- *Restricted for employee benefit accrued liability* - represents funds to be used to pay certain termination benefits.
- *Restricted for retirement contribution* - represents funds to be used to pay contributions to the TRS and ERS retirement systems.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

- *Restricted for debt* - represents unspent debt proceeds and premiums to be used towards future debt service requirements.
- *Restricted for scholarships* – represents funds to be used for student scholarship obligations.

*Committed* – represents amounts that can be used only for the purposes determined by the adoption of an resolution committing fund balance for a specified purpose by the District’s Board prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the Board adopts another resolution to remove or revise the limitation. As of June 30, 2021, the Board has no committed fund balances.

*Assigned* – represents amounts that are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as either restricted nor committed.

- *Assigned for subsequent years’ expenditure* - represents available fund balance being appropriated to meet expenditure requirements in the 2022 fiscal year.
- *Assigned for specific use* - represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose is related to each fund’s operations and represents amounts within funds that are not restricted or committed.
- *Assigned for encumbrances* - represent amounts related to unperformed contracts for goods and services.

*Unassigned* – represents all amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Additionally, any deficit fund balance within our governmental funds is also reported as unassigned.

As of June 30, 2021, fund balances were classified as follows:

	General	Capital Projects	Nonmajor School Lunch	Total
<u>Nonspendable</u>				
Inventory	\$ 2,906	\$ -	\$ 33,107	\$ 36,013
Long-term receivable	165,612	-	-	165,612
<u>Restricted:</u>				
Unemployment insurance	205,388	-	-	205,388
Retirement contribution	360,216	-	-	360,216
Capital projects	1,475,580	-	-	1,475,580
Insurance	10,726	-	-	10,726
Debt service	194,132	-	-	194,132
Employee benefit accrued liability	419,326	-	-	419,326
Scholarships	1,232	-	-	1,232
<u>Assigned:</u>				
Subsequent years’ expenditures	477,890	-	-	477,890
Capital Projects Fund	-	154,548	-	154,548
<u>Encumbrances:</u>				
Instruction	150,813	-	-	150,813
Pupil transportation	-	15,863	-	15,863
<u>Unassigned:</u>				
General Fund	886,824	-	-	886,824
School Lunch Fund (deficit)	-	-	(47,970)	(47,970)
Total	<u>\$ 4,350,645</u>	<u>\$ 170,411</u>	<u>\$ (14,863)</u>	<u>\$ 4,506,193</u>

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain no more than 4% of the school district’s budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 4 - RISK MANAGEMENT**

**A. GENERAL**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

**B. WORKERS' COMPENSATION PLAN**

The District is a participant in the Erie #2 Workers' Compensation Consortium (the Consortium). The Consortium was established under the provisions of Workers' Compensation Law of the State of New York and is administered and sponsored by its predominant participant, Erie #2-Chatauqua-Cattaraugus BOCES. The Consortium is a public entity risk pool which provides the District the opportunity to participate in a cooperative program for providing workers' compensation benefits to its employees by entering into an intermunicipal agreement pursuant to Article 5-G of General Municipal Law.

Membership is effective on the first day of the month following the Board's resolution to accept a new participant organization. Voluntary withdrawal from the Consortium is effective only once annually on the last day of the plan year. Notice of intent to withdraw must be submitted in writing not less than 120 days prior to the end of the plan year (June 30). Premiums for coverage are determined annually by the Board of Directors after review of claim history information and consultation with various advisors. Participant organizations are billed in installments during the year.

No refunds or assessments, other than periodic premiums, are charged to the participant organizations, except in the case where the Consortium's assets are not sufficient to meet liabilities. In that instance, a special assessment may be assessed against the participant organizations.

The Consortium has established reserve liabilities which provide for expenditures to be made over the life of the claims. The reserve liabilities are based on estimates of the cost of claims (including future claim adjustment expenses) which have been reported but not settled, and of claims which have been incurred but not reported. Since actual claim costs depend on such complex factors as inflation and changes in doctrines of legal liability, the process used in estimating future claim liability does not result in exact amount. Estimated claim liability is calculated based on actuarial and statistical information which reflects settlements and other social and economic factors, as well as past experience. As of June 30, 2020, the most recent available audited information, the Consortium was fully funded. There was not sufficient information yet available at June 30, 2021 to determine funded status.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

**A. CONTINGENCIES**

**Grant Awards**

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

**B. CONSTRUCTION COMMITMENTS**

The District has capital improvement projects as of June 30, 2021, with outstanding construction commitments that are estimated at \$1,167,891 with \$15,863 encumbered at June 30, 2021.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**C. ENCUMBRANCES**

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, encumbrances expected to be honored upon performance by the vendor in the next year were \$150,813 and \$15,863 recorded in the General Fund and Capital Projects Fund, respectively.

**D. COVID-19 PANDEMIC**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include forced closures for certain types of public places, including public schools. In September 2020, schools reopened under a hybrid of in person and remote learning, but not without modifications to the learning environment. Due to the financial implications of the pandemic of the State, the State instituted a negative pandemic adjustment to the District’s Foundation aid. Federal CARES Act funding was received in 2020/2021 to be used for reimbursable expenditures attributed to the pandemic including \$100,900 passed through from Erie County.

**NOTE 6 – RESTATEMENT OF NET POSITION AND FUND BALANCE**

For the year ended June 30, 2021, the District implemented GASB 84, *Fiduciary Activities*. The implementation of Statement No. 84 resulted in the reporting of net position of the Custodial Funds and the restatement of net position and fund balance in the Governmental Activities and General Fund, respectively.

	<u>Governmental Activities</u>	<u>Custodial Funds</u>
Net position - beginning, as previously stated	\$ 20,547,076	\$ -
GASB Statement No. 84 implementation	154,322	52,559
Net position - beginning, as restated	<u>\$ 20,701,398</u>	<u>\$ 52,559</u>
	<u>General Fund</u>	
Fund balance - beginning, as previously stated	\$ 3,698,385	
GASB Statement No. 84 implementation	154,322	
Fund balance - beginning, as restated	<u>\$ 3,852,707</u>	

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent to the year ended June 30, 2021, the District was awarded allocations of grant funding from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) and the American Rescue Plan (ARP) totaling approx. \$2,400,000.

Management has evaluated subsequent events through September 16, 2021, which is the date the financial statements are available for issuance, and have determined there are no subsequent events, other than the event noted above, that require disclosure under generally accepted accounting principles.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HOLLAND CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
<b>REVENUES</b>				
Local sources:				
Real property taxes	\$ 7,787,170	\$ 7,787,170	\$ 7,787,170	\$ -
Real property tax items	11,850	11,850	21,568	9,718
Non-property taxes	937,732	937,732	998,437	60,705
Charges for services	107,832	107,832	61,772	(46,060)
Use of money and property	82,050	82,050	82,515	465
Sale of property and compensation for loss	5,025	5,025	3,329	(1,696)
Miscellaneous local sources	189,950	189,950	228,603	38,653
State sources:				
Basic formula	8,260,805	8,260,805	7,934,153	(326,652)
Lottery aid	1,050,000	1,050,000	1,375,464	325,464
BOCES aid	1,324,533	1,324,533	1,180,036	(144,497)
Other state aid	83,791	83,791	77,294	(6,497)
Federal sources	234,000	234,000	275,295	41,295
<b>Total revenues</b>	<b>20,074,738</b>	<b>20,074,738</b>	<b>20,025,636</b>	<b>(49,102)</b>
Other financing sources:				
Interfund transfer in	333,811	333,811	149,009	(184,802)
Appropriated fund balance	507,632	507,632	-	(507,632)
<b>Total revenues and other sources - General Fund</b>	<b>\$ 20,916,181</b>	<b>\$ 20,916,181</b>	<b>\$ 20,174,645</b>	<b>\$ (741,536)</b>

The notes to the required supplementary information are an integral part of this schedule.

**HOLLAND CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021 (Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
<b>EXPENDITURES</b>					
General support:					
Board of education	\$ 29,050	\$ 15,718	\$ 11,747	\$ -	\$ 3,971
Central administration	325,525	307,718	288,189	-	19,529
Finance	270,023	277,683	242,221	-	35,462
Staff	96,582	146,813	128,723	-	18,090
Central services	1,639,088	1,701,063	1,626,749	-	74,314
Special items	293,201	257,093	242,689	-	14,404
Instruction:					
Instruction, administration and improvements	742,957	734,226	698,361	-	35,865
Teaching - regular school	5,093,315	5,112,203	4,852,746	150,813	108,644
Programs for children with handicaps	3,597,334	3,754,752	3,414,960	-	339,792
Teaching - special schools	70,000	46,855	18,093	-	28,762
Instructional media	1,026,397	1,010,745	983,942	-	26,803
Pupil services	761,156	824,443	800,651	-	23,792
Pupil transportation	1,255,374	1,151,808	966,221	-	185,587
Debt service - principal	1,103,532	1,103,532	1,103,532	-	-
Debt service - interest	402,730	318,721	318,721	-	-
Employee benefits	4,014,917	3,957,808	3,795,283	-	162,525
<b>Total expenditures</b>	<b>20,721,181</b>	<b>20,721,181</b>	<b>19,492,828</b>	<b>150,813</b>	<b>1,077,540</b>
Other financing uses:					
Interfund transfers out	195,000	195,000	183,879	-	11,121
<b>Total expenditures and other uses - General Fund</b>	<b>\$ 20,916,181</b>	<b>\$ 20,916,181</b>	<b>19,676,707</b>	<b>\$ 150,813</b>	<b>\$ 1,088,661</b>
Net change in fund balance			<b>\$ 497,938</b>		

The notes to the required supplementary information are an integral part of this schedule.

**HOLLAND CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS\***

	Year Ended June 30,			
	2018	2019	2020	2021
Measurement Date	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
<b>Total OPEB Liability:</b>				
Service cost	\$ 37,587	\$ 35,538	\$ 47,318	32,712
Interest	27,227	22,047	30,461	14,399
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	(165,388)	227,169	73,282	(3,659)
Changes of assumptions or other inputs	10,849	5,311	(420,680)	10,636
Benefit payments	<u>(23,786)</u>	<u>(14,016)</u>	<u>(27,060)</u>	<u>(20,668)</u>
Net change in total OPEB liability	(113,511)	276,049	(296,679)	33,420
Total OPEB liability - beginning	<u>702,702</u>	<u>589,191</u>	<u>865,240</u>	<u>568,561</u>
Total OPEB liability - ending	<u>\$ 589,191</u>	<u>\$ 865,240</u>	<u>\$ 568,561</u>	<u>601,981</u>
Covered-employee payroll	\$ 8,605,228	\$ 8,605,228	\$ 8,609,393	8,877,145
Total OPEB liability as a percentage of covered-employee payroll	6.85%	10.05%	6.60%	6.78%

\* This Schedule is intended to show information for ten years. Since 2018 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

**HOLLAND CENTRAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY –  
EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS  
LAST TEN FISCAL YEARS\***

	Year Ended June 30,						
	2015	2016	2017	2018	2019	2020	2021
<b><u>Teachers' Retirement System (TRS)</u></b>							
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
District's proportion of the net pension (asset) liability	0.035016%	0.036062%	0.036707%	0.037108%	0.038800%	0.038471%	0.038738%
District's proportionate share of the net pension (asset) liability	\$ <u>(3,900,542)</u>	\$ <u>(3,745,683)</u>	\$ <u>393,150</u>	\$ <u>(282,061)</u>	\$ <u>(701,605)</u>	\$ <u>(999,472)</u>	\$ <u>1,070,439</u>
District's covered payroll	\$ 5,328,496	\$ 5,552,684	\$ 5,781,518	\$ 5,917,360	\$ 6,354,594	\$ 6,459,387	\$ 6,643,636
District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	-73.20%	-67.46%	6.80%	-4.77%	-11.04%	-15.47%	16.11%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-110.50%	-110.50%	99.00%	-100.70%	-101.50%	-102.20%	97.75%
<b><u>Employees' Retirement System (ERS)</u></b>							
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
District's proportion of the net pension (asset) liability	0.004898%	0.004788%	0.004245%	0.005058%	0.004929%	0.006024%	0.006668%
District's proportionate share of the net pension (asset) liability	\$ <u>258,868</u>	\$ <u>1,189,970</u>	\$ <u>673,334</u>	\$ <u>163,259</u>	\$ <u>349,254</u>	\$ <u>1,595,056</u>	\$ <u>6,639</u>
District's covered payroll	\$ 1,407,067	\$ 1,411,344	\$ 1,387,376	\$ 1,770,479	\$ 1,526,553	\$ 2,071,866	\$ 2,467,937
District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	18.40%	84.31%	48.53%	9.22%	22.88%	76.99%	0.27%
Plan fiduciary net position as a percentage of the total pension (asset) liability	97.90%	90.70%	94.70%	98.20%	96.30%	86.39%	99.95%

\* This Schedule is intended to show information for ten years. Since 2015 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

**HOLLAND CENTRAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS - EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS  
LAST TEN FISCAL YEARS**

	Year Ended June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Teachers' Retirement System (TRS)</b>										
Contractually required contribution	\$ 634,361	\$ 634,361	\$ 840,506	\$ 949,675	\$ 766,630	\$ 693,514	\$ 622,750	\$ 685,987	\$ 593,343	\$ 640,347
Contributions in relation to the contractually required contribution	634,361	634,361	840,506	949,675	766,630	693,514	622,750	685,987	593,343	640,347
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,712,394	\$ 5,491,619	\$ 5,328,496	\$ 5,552,694	\$ 5,781,518	\$ 5,917,360	\$ 6,354,594	\$ 6,459,387	\$ 6,643,636	\$ 6,796,062
Contributions as a percentage of covered payroll	11.10%	11.55%	15.77%	17.10%	13.26%	11.72%	9.80%	10.62%	8.93%	9.42%
<b>Employees' Retirement System (ERS)</b>										
Contractually required contribution	\$ 300,996	\$ 300,996	\$ 225,301	\$ 227,118	\$ 262,030	\$ 175,568	\$ 239,491	\$ 242,008	\$ 295,654	\$ 269,291
Contributions in relation to the contractually required contribution	300,996	300,996	225,301	227,118	262,030	175,568	239,491	242,008	295,654	269,291
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,996,523	\$ 1,831,087	\$ 1,574,747	\$ 1,407,067	\$ 1,480,732	\$ 1,656,187	\$ 1,792,259	\$ 2,037,610	\$ 2,131,128	\$ 2,573,726
Contributions as a percentage of covered payroll	15.08%	16.44%	14.31%	16.14%	17.70%	10.60%	13.36%	11.88%	13.87%	10.46%

The notes to the required supplementary information are an integral part of this schedule.

**HOLLAND CENTRAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**NOTE 1 - BUDGETARY INFORMATION**

**BUDGETARY BASIS OF ACCOUNTING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2021, and, therefore, is the only fund presented on the Budgetary Comparison Schedule.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

The Capital Projects Fund is appropriated on a project-length basis. Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Other special revenue funds and Custodial Funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

**NOTE 2 - FACTORS AFFECTING TRENDS IN THE RETIREMENT SYSTEM PENSIONS AND POSTEMPLOYMENT BENEFIT PLAN**

**A. RETIREMENT SYSTEMS**

The District's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. The discount rate in effect at each measurement date is as follows:

	TRS	ERS
<u>Year ended June 30:</u>		
2021	7.10%	5.90%
2020	7.10%	6.80%
2019	7.25%	7.00%
2018	7.25%	7.00%
2017	7.50%	7.00%
2016	8.00%	7.50%

**B. POSTEMPLOYMENT BENEFIT PLAN**

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. Changes of assumptions and other inputs reflect a discount rate each period which is used in the calculation of the postemployment liability. Factors in effect at each measurement date is as follows:

	Discount Rate	Salary Scale	Inflation Rate	Ultimate Healthcare Cost Trend Rate
<u>Year ended June 30:</u>				
2021	2.27%	3.11%	2.11%	4.08%
2020	2.48%	3.22%	2.20%	4.18%
2019	3.44%	3.36%	2.31%	4.32%
2018	3.61%	3.31%	2.37%	4.23%

## **SUPPLEMENTARY INFORMATION**

**HOLLAND CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET –  
 GENERAL FUND AND REAL PROPERTY TAX LIMIT  
 FOR THE YEAR ENDED JUNE 30, 2021**

Adopted Budget	\$	20,908,549
Additions:		
Encumbrances from prior year		<u>7,632</u>
Original/Final Budget	\$	<u><u>20,916,181</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2021-22 voter approved expenditure budget	\$	21,298,400
Maximum allowed		851,936

**General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:**

Unrestricted fund balance:		
Assigned fund balance	\$	628,703
Unassigned fund balance		<u>886,824</u>
Total unrestricted fund balance		<u><u>1,515,527</u></u>
Less:		
Appropriated fund balance	\$	477,890
Encumbrances included in assigned fund balance		150,813
Bookstore fund balance		<u>2,362</u>
Total adjustments		<u><u>631,065</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	<u><u>884,462</u></u>
Actual percentage		4.15%

**HOLLAND CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

Project Title	Original Appropriations	Revised Appropriations	Capital Expenditures			Unexpended Balance	Methods of Financing				Transfer to General Fund	Fund Balance 6/30/2021	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Interest	Local Sources			Total
Bus Purchase (HB19)	\$ 224,590	\$ 224,590	\$ 218,789	\$ -	\$ 218,789	\$ 5,801	\$ 224,590	\$ -	\$ -	\$ -	\$ 224,590	\$ 5,801	\$ -
Bus Purchase (HB20)	224,590	224,590	223,981	-	223,981	609	224,590	-	-	-	224,590	609	-
Bus Purchase (HB21)	246,182	246,182	-	246,182	246,182	-	246,182	-	-	-	246,182	-	-
JSHS Capital Project (HH16)	1,154,108	6,042,381	5,532,310	-	5,532,310	510,071	5,152,251	-	7,157	500,000	5,659,408	-	127,098
Capital Improvement Project (HH18)	5,000,000	5,000,000	2,170,877	2,825,327	4,996,204	3,796	3,985,115	-	-	1,145,800	5,130,915	130,115	4,596
Capital Improvement Project (HH19)	2,265,000	2,265,000	429,062	1,805,226	2,234,288	30,712	1,736,701	-	-	626,299	2,363,000	56,701	72,011
Capital Improvement Project (HH21)	7,500,000	7,500,000	2,400	33,320	35,720	7,464,280	-	-	-	-	-	-	(35,720)
Capital Improvements (H021)	100,000	100,000	-	97,574	97,574	2,426	-	-	-	100,000	100,000	-	2,426
Smart Schools Bond Act (HSS1)	698,786	698,786	-	40,429	40,429	658,357	-	40,429	-	-	40,429	-	-
<b>Total</b>	<b>\$ 17,413,256</b>	<b>\$ 22,301,529</b>	<b>\$ 8,577,419</b>	<b>\$ 5,048,058</b>	<b>\$ 13,625,477</b>	<b>\$ 8,676,052</b>	<b>\$ 11,569,429</b>	<b>\$ 40,429</b>	<b>\$ 7,157</b>	<b>\$ 2,372,099</b>	<b>\$ 13,989,114</b>	<b>\$ 193,226</b>	<b>\$ 170,411</b>

**HOLLAND CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021**

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Capital assets, net	\$	28,388,093
Add:		
Unspent bond proceeds and premiums		343,141
Deduct:		
Retainage payable		(21,357)
Bonds payable		(12,353,408)
Unamortized bond premium		<u>(201,378)</u>
Net investment in capital assets	\$	<u><u>16,155,091</u></u>

## **INTERNAL CONTROL AND COMPLIANCE**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of  
Holland Central School District  
Holland, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holland Central School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
September 16, 2021